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## PAID UP OIL AND GAS LEASE

PROD 88 5/04

THIS LEASE AGREEMENT is made as of the 23<sup>rd</sup> day of August, 2010, by and between Luby's Fuddruckers Restaurants, LLC, a Texas limited liability company (f/k/a Luby's Restaurants Limited Partnership, a Texas limited partnership) whose mailing address is 13111 Northwest Freeway, Suite 600, Houston, Texas 77040-6392, as Lessor(s), and CARRIZO OIL & GAS, INC., 1000 Louisiana, Suite 1500, Houston, Texas 77002, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions including the completion of blank spaces, were prepared jointly by Lessor and Lessee.

1. Description. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises.

2.144 acres of land, more or less, out of the John Stephens Survey, A-1428, Tarrant County, Texas, and being described in that certain General Warranty Deed, dated February 1, 1997, by and between Luby's Cafeterias, Inc., a Delaware Corporation as Grantor and Luby's Restaurants Limited Partnership, a Texas limited partnership, as Grantee, recorded in instrument #D197106969 of the Official Public Records, Tarrant County,

In the County of Tarrant, State of Texas, containing 2.144 acres, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil, gas, sulfur and other associated hydrocarbons which can be produced out of and from the bore of well. The term "gas" as used herein includes helium, carbon dioxide, gaseous sulfur compounds, coal bed methane and other commercial gases, as well a normal hydrocarbon gases. Solid minerals, other than sulfur, such as iron, coal, sand, gravel, gold and clay are excluded from this lease. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any payments based on acreage hereunder, the number of gross acres above specified shall be deemed correct, whether

- 2. Term of Lease. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.
- 3. Royalty Payment.
  - (a) As royalties, Lessee agrees:
- (1) To deliver free of cost to Lessor at the well(s) or to the credit of Lessor at the pipeline to which the well(s) may be connected, One-Fourth (1/4th) of all oil and other liquid hydrocarbons produced and saved from the Land. At Lessor's option, which may be exercised from time to time and, which initially shall be assumed as exercised by Lessor unless Lessor notifies Lessee in writing otherwise, Lessee shall pay to Lessor the same part of the market value at the well of oil and other liquid hydrocarbons of like grade and gravity prevailing on the day the oil and other hydrocarbons are sold from the Lease in the general area in which the Land is located.
  - (2) To pay to Lessor:
  - (i) On gas produced from the Land and sold by Lessee or used off the Land and to which the following subparagraphs (ii) and (iii) One-Fourth (1/4th) of the market value at the well, subject to the other provisions herein.
  - (ii) On gas produced from the Land that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the higher of One-Fourth (1/4th) of the market value of the gas at the inlet to the processing plant, or One-Fourth (1/4th) of the market value of all processed liquids saved from the gas at the plant plus One-Fourth (1/4th) of the market value of all residue gas at the outlet of the plant.
  - (iii) On gas produced from the Land that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, One-Fourth (1/4th) of the market value at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus One-Fourth (1/4th) of the market value of all residue gas at the outlet
- (b) The market value shall be the price then prevailing in the same field (or if there is no such price then prevailing in the same field, (b) The market value shall be the price then prevailing in the same field (or it there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity. The market value used in the calculation of oil and gas royalty will never be less than the total proceeds received by Lessee in connection with the sale, use, or other disposition the oil or gas produced or sold. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, or if Lessee realizes proceeds of production after deduction for any expense of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage, or marketing, then the reimbursement or the deductions will be added to the total proceeds received by Lessee, except as set forth in (d) below.
- (c) Lessor's royalty will never bear, either directly or indirectly, (i) any part of the costs or expenses of production, separation, gathering, dehydration, compression, transportation, trucking, processing, treatment, storage, or marketing of the oil or gas produced from the Land; (ii) any part of the costs of construction, operation, repair, maintenance or depreciation of any plant or other facilities or equipment used in the handling of oil, gas, or other hydrocarbons; or (iii) any other costs or expenses whatsoever, except any severance, excise, windfall or like and similar tax imposed on such hydrocarbons or gas or on the value thereof that is attributable to Lessor's royalty on such oil, gas, or other
- (d) Lessor shall be paid its royalty, as specified in (a) and (b) above, of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes; provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if the gas purchaser "makes-up" such gas and Lessee is required to give such purchaser a credit for gas previously paid for but not taken, then Lessor will only receive its royalty, as specified in (a) and (b) above, of any payments made by the gas purchaser for such make-up gas taken pursuant to the take-or-pay provision or similar provision.
  - (e) If gas produced from the Land is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of

Lessee, and for a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale, subject to the provisions of paragraph 3(b) above.

- (f) As used in this Lease, "affiliate" means (i) a corporation, joint venture, partnership, or other entity that owns more than fifty percent of the outstanding voting interest of Lessee or in which Lessee owns more than fifty percent of the outstanding voting interest; or (ii) a corporation, joint venture, partnership, or other entity in which, together with Lessee, more than fifty percent of the outstanding voting interests of both Lessee and the other corporation, joint venture, partnership, or other entity is owned or controlled by the same persons or group of persons.
- (g) Unless there is a reasonable title dispute or question as to title, Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than one hundred twenty (120) days after the end of the month of first sales of production. Thereafter, Lessee must disburse or cause to be disbursed to Lessor its royalty on production by the last day of the second month after the month in which production is sold. If not paid when due, Lessor's royalty will bear interest at the statutory rate from due date until paid, which amount Lessee agrees to pay.
- (h) Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor. The royalty payment obligations under this Lease shall not be affected by any division order or the provisions of Section 91.402 of the Texas Natural Resources Code or any similar statute.
- (i) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to Lessor's share of those proceeds, but Lessee will at all time hold Lessor's share of those proceeds for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.
- 4. Shut-in Payment. If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, and all such wells are either shut in or production therefrom is not being sold by Lessee such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease if shut-in royalty payments are paid by Lessee to Lessor, as set forth below. A shut-in well shall also include a well or wells drilled on the lease premises or lands pooled therewith which appear to the Lessee by the electric log to be productive of oil or gas. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold or produced by Lessee, then Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor on or before the end of said 90-day period and thereafter on or before the end of each anniversary of the expiration of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease. This lease may not be perpetuated by the shut-in payment for any one period exceeding three (3) consecutive years. All shut-in royalty payments under this lease shall be paid or tendered directly to Lessor at the above address, or its successors, regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor by deposit in the U.S. Mails in a stamped envelope addressed to the Lessor at the last address known to Lessee shall constitute proper payment
- 5. Operations. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no interruption of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to reservoirs then capable of producing in paying quantities on the leased premises or land pooled therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.
- 6. Pooling. Lessee shall have the right, but not the obligation, to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of drilling or production whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purposes of the forgoing, the terms "oil well" and "gas well" is hall have the meanings prescribed by applicable law or the appropriate governmental authority, or if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations on where on a unit which includes all or any part of the leased premises shall be that proportion of the total unit production which the net acreage covered by this lease and included in the
- 7. Payment Reductions. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties, and shut-in royalties payable hereunder for any well on any part of the leased premises or land pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises. To the extent any royalty or other payment attributable to the mineral estate covered by the lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

- 8. Ownership Changes. The interest of either Lessor or Lessee may be assigned, devised or otherwise transferred in whole or in part by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until sixty days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate at the address designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons, either jointly, or separately in proportion to the interests which each owns. If Lessee transfers its interest hereunder in whole or in part, Lessee shall be relieved of all obligations hereafter existing with respect to the transferred interests, and failure of the transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.
- 9. Release of Lease. Lessee may, at any time and from time to time deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

#### 10. Ancillary Rights. [Intentionally Deleted]

- 11. Regulation and Delay. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.
- 12. Breach or Default. No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. Notwithstanding anything herein to the contrary, failure to pay royalties properly and in a timely manner as provided in the Lease shall be a material breach of this Lease.
- 13. Warranty of Title. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, through and under Lessor but not otherwise, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.
- 14. Governmental Waiver. Lessor hereby agrees that, in the event Lessee deems it necessary to seek a variance waiver or other relief from any laws, rules, regulations, or orders (which for purposes of the paragraph shall include any ordinance) or other such authority exercised by (i) the City of Arlington, including, but not limited to the well setback distance for gas drilling and production, or (ii) by any other governmental entity or authority having jurisdiction then Lessor shall engage in reasonable acts and execute and deliver such instruments and documents Lessee deems necessary or convenient in seeking such relief. In the event Lessee is required by such authority to acquire Lessor's consent as a prerequisite to obtain such variance, waiver or other relief. Lessor grants to Lessee and agrees that Lessee's leasehold estate acquired hereunder includes the right to utilize this lease as Lessor's consent and ratification of any subsequent variance, waiver or other relief Lessee seeks, without the necessity of Lessee obtaining any additional or subsequent consent's from Lessor. Lessor furthermore agrees not to execute documents or instruments or engage in acts that would diminish or adversely affect the relief Lessee is seeking.
- 15. Counter Offer. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor's lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein with the lease becoming effective upon expiration of this lease. Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein covered by the offer at the price and according to the terms and conditions specified in the offer.
- 16. Non-Surface. Lessee shall not conduct any surface operations upon any part of the surface of the lease premises. Lessee shall however have a <u>sub-surface</u> easement to horizontally drill under the surface of the lease premises. Notwithstanding anything herein to the contrary, in exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall not have the right of ingress and egress and shall not have the right to conduct such operations on the surface of the leased premises, expressly excluding the right to conduct geophysical operations, drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations and other facilities. Lessee shall not be entitled to use in such operations, free of costs, any oil, gas, water and/or other substances produced on the leased premises, including water from Lessor's wells or ponds.
- 17. Counter Parts. This Lease may be executed in any number of counterparts, no one of which needs to be executed by all Parties, or this Lease may be ratified by separate written instrument specifically referring hereto, and it shall be binding upon all Parties who executed a counterpart or ratification instrument with the same force and effect, with each separate counterpart or ratification instrument deemed to be one and same original Lease.
- 18. Addendum. An addendum is attached hereto and made a part hereof for all purposes.
- 19. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, EMPLOYEES, TRUSTEES, VOLUNTEERS, AGENTS, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY LESSEE'S ACTIVITIES AND OPERATIONS PURSUANT TO THE LEASE OR LESSEE'S MARKETING OF PRODUCTION FROM THE LEASED PREMISES OR ANY VIOLATION OF ANY FEDERAL, STATE, LOCAL, AGENCY OR OTHER POLITICAL SUBDIVISION STATUTE, LAW, REGULATION, ORDINANCE, RULE, POLICY, ORDER OR RULING BY LESSEE, INCLUDING, BUT NOT LIMITED TO THE RELEASE OF HAZARDOUS MATERIALS ON, AT, UNDER, ADJACENT TO OR ABOUT THE LEASED PREMISES. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. AS USED IN THIS PARAGRAPH, THE TERM "LEASED PREMISES" INCLUDES THE LAND COVERED BY THIS LEASE OR ANY LANDS POOLED THEREWITH. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE.

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- 20. The term "Hazardous Materials" means and shall include (i) all elements or compounds that are contained in the list of hazardous substances adopted by the United States Environmental Protection Agency and the list of toxic pollutants designed by Congress or the Environmental Protection Agency or under any of the Environmental Laws as described below; and (ii) any hazardous waste, hazardous substance, hazardous materials (including, but not limited to, petroleum and petroleum-related products, materials, and substances), toxic substance, regulated substance, pollutant or contaminant as defined under any Environmental Law of the United States, any State, political subdivision, municipality, agency, board, commission, court, tribunal or other entity.
- 21. Lessee, at its sole cost and expense, agrees to defend, indemnify and hold Lessor harmless from and against any and all actions, claims, demands, causes of action, damages (including but not limited to remedial actions), fines, administrative and judicial proceedings, judgments, orders, enforceable actions, expenses and costs of any kind or character (including but not limited to reasonable attorneys' fees, costs and expenses) relating to or arising out of or in any way connected with Lessee's operations below or relating to the leased premises or on the land with which the leased premises are pooled or unitized.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR(S) Luby's Fuddruckers Restaurants, LLC

**ACKNOWLEDGEMENTS** 

STATE OF TEXAS

COUNTY OF HARRIS }

This instrument, was acknowledged before me on the 21th day of October, 2010, by istophe J. Page CEO/Pasidnt of Luby's Fuddruckers Restaurants, LLC, a Texas limited liability company, on behalf of said limited liability company.

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Notary Public for the State of Texas